

OFFICE OF COUNTY TREASURER AND TAX COLLECTOR

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May 8, 1978

TO: Each Supervisor

FROM: H. B. Alvord
Treasurer & Tax Collector

RE: Jarvis Budget - Cash Flow

H.B. Alvord

Reference is made to the recent 1978/79 Proposition 13 Alternative Budget document presented to the Board of Supervisors by the Chief Administrative Officer. Despite the severe cuts involved in this budget involving the loss of almost 37,000 positions it should be stressed that even this greatly reduced budget assumes the timely receipt by the County of \$700,000,000 in tax and other revenues to which -- assuming passage of the Jarvis Initiative -- we may not at present be legally entitled without Court and/or Legislative action. The \$700,000,000 in question includes \$400,000,000 in property tax funds which would, based on prior years' percentages of secured property tax collections, be allotted to the County and approximately \$300,000,000 of tax relief money voted and budgeted by the State Legislature under the Behr bill (SB 1). Our receipt of the latter \$300,000,000 requires state legislation which has not yet been introduced. Receipt of the \$400,000,000 in property tax funds depends upon Legislative or Court determination of the proper allotment of property tax funds which are collected, assuming passage of Proposition 13.

A major problem as I see it is the wording of Proposition 13 which is not clear regarding the apportionment of taxes. The Initiative says, "...the one percent (1%) to be collected by the County and apportioned according to law to the districts within the County," but there is no law to govern such apportionment. Under some interpretations, the County and cities may not be entitled under this Initiative to any property tax receipts at all. This question should be clarified by the Courts or the Legislature as rapidly as possible.

Though the financial condition of the County as outlined in the Chief Administrative Officer's April 24th budget message on the Recommended 1978/79 Proposed Budget to your Board is much better now than in recent years, we still do not have adequate cash reserves to take us even to the end of the first month of 1978/79 fiscal year (i.e., July)

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without the general fund being in a borrowing position either through tax or revenue anticipation notes or through inter-agency borrowing. Cash flow projections prepared by the Chief Administrative Officer and verified by the County Auditor indicate a cash start up position for the general fund for fiscal 1978/79 of about \$72,000,000. By the end of July, present projections under the scaled down Alternative Budget call for a borrowing position of over \$19,000,000 with ever greater borrowing positions over the succeeding several months to a maximum of \$232,000,000 in December. Our financial consultants have told us we cannot borrow on tax anticipation notes if the question of the apportionment of the taxes has not been settled by the courts or the Legislature prior to our proposed sale date of such notes in late June. We cannot borrow upon revenue anticipation notes under the Proposition 13 Alternative Budget without a commitment from the State to continue to provide funding of homeowners' exemptions and business inventory exemptions and Behr replacement revenue now in the State budget. We cannot borrow from the County Treasury pool since such borrowing is legally predicated on later receipt of taxes. If there are no taxes to be received with the passage of Proposition 13, there can be no inter-agency borrowing. I do not intend to pay any warrants if cash to pay them is not available in the proper account. To do so would not only be an illegal misappropriation of funds, but might possibly render me personally liable.

Unless these problems are solved and solved relatively rapidly, we are faced with the registration of warrants from late July, 1978. The registration of warrants means that we do not have in the County Treasury money in the particular fund upon which the warrant was drawn and hence cannot pay for the warrant. The warrants are then registered (from which time they would bear interest until paid) and returned to the parties from whom we received them and ultimately to the original payee to, in effect, wait his or her turn until we do have the funds to pay for the warrants. Such a line of events, should it occur, would be disastrous for the County and for its citizens.

The alternative to this is the obtaining either through Legislative action or Court action of a formula for distributing property taxes assuming passage of Proposition 13. In addition, we strongly need a commitment from the State to continue to provide funding of homeowners' exemption funds, business inventory funds, and Behr replacement revenue now in the State budget. It is this message which the Chief Administrative



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Officer, the Auditor and I endeavored to put across to high State administrative and legislative officials on our trip to Sacramento, which your Board ordered, on May 3rd.

I cannot urge Board members strongly enough to take action both individually and as a Board to use your good offices to obtain the clarification and commitments from the State needed to keep County finances functioning in the event of the passage of Proposition 13.

HBA/dt

cc: Chief Administrative Officer
County Counsel
Auditor-Controller

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